

## **1998-2004 STATEWIDE CAPITAL IMPROVEMENTS PLAN**

### **EXECUTIVE SUMMARY**

#### **THE CAPITAL PLANNING ADVISORY BOARD**

The Capital Planning Advisory Board (CPAB) was established by Senate Bill 46, as enacted by the 1990 General Assembly and codified as KRS Chapter 7A. This legislation was based on a recommendation of the Debt Capacity Task Force established by the 1988 General Assembly, which noted that evaluating how much debt the Commonwealth should have requires an accurate assessment of its capital needs. KRS Chapter 7A, the enabling statutes for the Capital Planning Advisory Board, is provided as Appendix D.

The CPAB has fifteen members - five appointees from each branch of state government. Pursuant to statute, the Board is to create a six-year comprehensive statewide capital improvements plan, encompassing all state agencies and universities, to be submitted to the heads of the three branches - the Governor, the Chief Justice, and the Legislative Research Commission - by November 1 of each odd-numbered year. This enables the comprehensive capital plan to be used in the subsequent budget process and in the regular biennial legislative session.

The CPAB has previously completed and submitted four statewide capital improvements plans:

- 1990-96 Plan - The Board's first plan, as submitted in November 1991, included recommendations on space management goals for the Commonwealth, construction of state-owned office space in Franklin and Fayette Counties, and categories of capital projects deserving special emphasis.
- 1992-98 Plan - The Board's second plan, as submitted in November 1993, contained a total of 19 policy recommendations, grouped into the following categories: space management and utilization, judicial/corrections, technology/equipment, project approval considerations, requirements for future capital planning and budgeting submissions, higher education deferred maintenance, and energy management. The 1992-98 Plan also listed 39 projects (not in priority order), which the Board identified as having either most exceptional merit or being worthy of consideration for funding.
- 1994-2000 Plan - The Board's third plan, as submitted in November 1995, contained six policy recommendations, which addressed debt financing, shared use of higher education facilities, prison population growth, mechanical and electrical maintenance in state buildings, changes to CPAB statutes, and the Budget Reserve Trust Fund. For the first time since the Board's creation, the 1994-2000 Plan recommended a prioritized listing of 97 projects to be financed from state funds in the 1996-98 biennial budget, as well as a non-prioritized list of other projects worthy of consideration for state funding. The plan also included a recommendation on projects to be financed from other than state funds.
- 1996-2002 Plan - The Board's fourth plan, as submitted in November 1997, included 11 policy recommendations which addressed a variety of items, including: Board intent for projects to be submitted in agency capital plans, use of KRS 56.774 for energy management and chiller retrofit projects, long-range planning for court facilities, expediting the implementation of authorized projects, studying ways to reduce the prison population, preventive measures and alternatives to juvenile detention, planning for the shared use of postsecondary education facilities, statutory funding of the Budget Reserve Trust Fund,

technology-based solutions and alternatives to construction, capital planning for information technology, and long-range planning for state offices. The 1996-2002 Plan recommended capital priorities to be financed from state funds in three categories – maintenance of existing state facilities (highest priority), various specific capital construction and equipment projects, and programs which provide assistance to non-state entities. Specific projects or programs were identified, but not prioritized, in each category. The plan also included a recommendation on projects to be financed from other than state funds.

## THE 1998-2004 PLANS

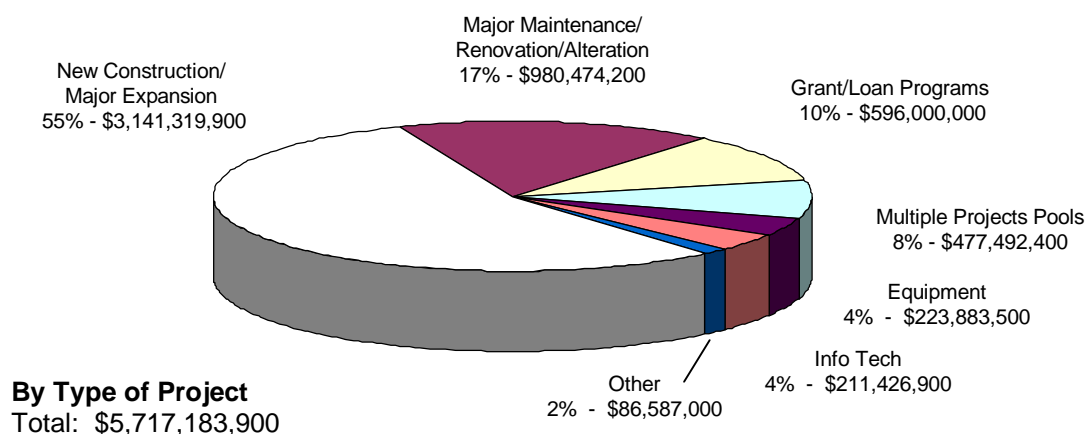
Guidelines for state agencies and postsecondary education institutions to use in submitting their individual 1998-2004 capital improvements plans were approved by the CPAB at its December 16, 1998 meeting.

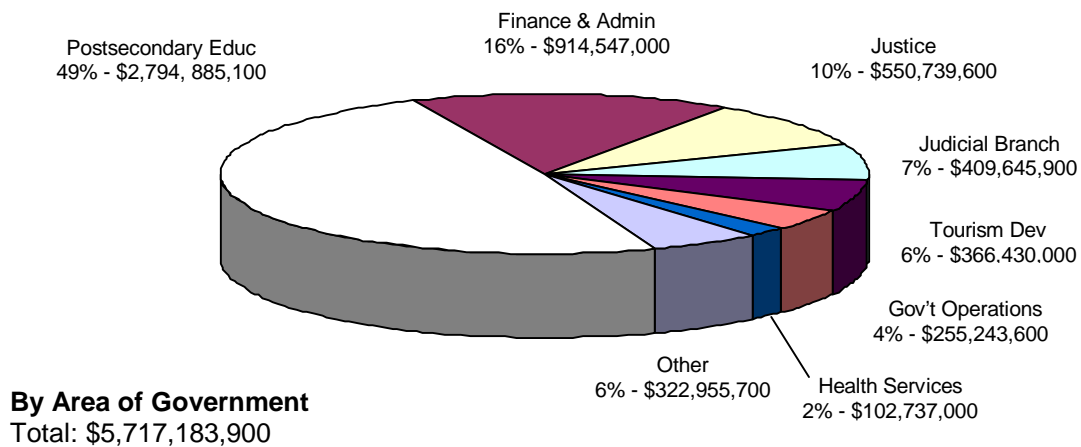
The guidelines stipulated that the agency plans should include a status report of projects with current biennium authorization (1998-2000) and planning information for the next two biennia on proposed capital construction projects, purchases of information technology and other equipment items and systems, and new or expanded leases of real property. They were essentially unchanged from the guidelines used in the previous capital planning process (1996-2002). Submissions were to be provided in the Board-approved electronic format which was developed by staff of the Governor's Office for Policy and Management (GOMP).

In February 1999, CPAB staff, assisted by staff of GOMP, conducted three two-hour sessions to review the capital planning forms and instructions (including the related computer software) with agency and postsecondary education planning personnel. Also at a February meeting, as has been its practice in the past, the Board voted to request that the Office of the Chief Information Officer (CIO) and the Council on Postsecondary Education (CPE) provide recommendations to the Board on their review of the information technology and postsecondary education projects, respectively.

Agency capital plans were due on April 15, 1999. CPAB staff reviewed the submissions to ensure that all required information had been provided, then analyzed the planned projects and developed summaries highlighting each agency's priorities and major categories of projects.

For 2000-02 and 2002-04, projects totaling approximately \$5.7 billion were submitted to the CPAB, as summarized below. A complete listing of all projects is provided in Appendix A.





The Board conducted a two-day meeting in July 1999 to review the capital plan submissions and to hear testimony from state agency representatives regarding their planning priorities. At the July meeting, the Board also received and reviewed recommendations which it had requested from the CIO regarding information technology projects. (That report, including a list of prioritized project recommendations, is provided as Appendix B.)

Review of the postsecondary education plans and the report of the CPE was delayed until a separate meeting in September. (This delay resulted from the CPE decision to allow the institutions to submit revised capital plans on August 1 based on its newly approved space planning guidelines.)

Additional Board meetings in August, September, and October of 1999 focused on development of the 1998-2004 Plan recommendations, based primarily on information contained in the plan submissions, the CIO and CPE reports, and testimony from agency and institutional representatives. (Since projects included in capital budget requests of the agencies and postsecondary education institutions are required to be submitted in the capital plan, amendments were allowed until October 15.) On October 26, 1999, the Board gave final approval to the *1998-2004 Statewide Capital Improvements Plan* for submission to the heads of the three branches of government.

(Note: As the 1998-2004 capital planning process was concluding in October 1999, the Governor's Office for Technology, headed by the state's Chief Information Officer, was established. Thus, references in this report to the review of IT projects generally refer to the Office of the Chief Information Officer and recommendations relating to information technology generally refer to the Governor's Office for Technology.)

## POLICY RECOMMENDATIONS

The *1998-2004 Statewide Capital Improvements Plan* includes policy recommendations on various capital-related issues. They are as follow:

### Court Facilities Planning, Funding, and Oversight

The Board endorses proposals of the Judicial Branch which would improve the process of planning, funding, and oversight of court facilities projects (as outlined by Judicial Branch representatives to the Board on September 15, 1999) and urges that the 2000 General Assembly enact legislation, that the Judicial Branch approve new rules, and that the Administrative Office of the Courts (AOC) develop procedures, as needed, to implement them.

The Board particularly urges:

- 1) That the detailed analysis (i.e., comprehensive assessment) of existing court space be completed prior to the next six-year capital planning process, and requests that the Judicial Branch provide periodic updates on that analysis to the Board in 2000 and 2001; and
- 2) That AOC establish stringent guidelines that detail and mandate the procedures and standards to be used in designing and constructing new court facilities. These guidelines should recognize that different approaches can be used to address differing needs of rural and urban areas, while still providing appropriate court space for each. (For example, small caseloads in some counties probably do not warrant having a full array of separate facilities for both the district and circuit court.)

### Use and Maintenance of State-Owned Facilities

#### PROVIDE FOR AN ADEQUATE AND ON-GOING SOURCE OF REVENUE TO ADDRESS MAINTENANCE NEEDS

The Board recommends that the Governor and General Assembly formalize a method by which state General Funds would be systematically appropriated in the biennial state budget to address the growing maintenance needs of state-owned facilities. This funding should *supplement, not supplant*, the capital construction investment income funding currently dedicated to this use by long-standing executive and legislative policy.

The Board recognizes that it may be necessary to take a phased approach in implementing this recommendation, but urges that, at a minimum, the Governor and 2000 General Assembly identify and commit to a maintenance funding goal and an approach to reaching that goal.

#### ENHANCE THE ROLE AND AUTHORITY OF THE DEPARTMENT FOR FACILITIES MANAGEMENT

The Board recommends that the Executive Branch work to identify a more pro-active role and increased authority for the Finance and Administration Cabinet/Department for Facilities Management with regard to administration of the state's overall physical plant and that periodic reports be provided to the Board on the status of this effort. The following items should be specifically addressed:

- Determination of which state-owned buildings should be managed and administered by the Department (rather than individual agencies), and how the transfer of that responsibility to the Department can be implemented;
- Development of categories and definitions for use by state agencies in evaluating and reporting the condition of their facilities, and monitoring, through the use of selective field audits, agency compliance with the use of these categories;
- Development of a database for use by state agencies to record and track all maintenance projects completed for each state-owned facility; and
- Establishment of standard and consistent policies to be used by agencies managing state-owned facilities.

The Board urges that this effort commence immediately so that those changes which can be made without statutory changes or additional funding can be implemented as soon as possible, and so that any necessary statutory and/or funding changes which may be required can be considered for recommendation by the Board for the 2002 General Assembly and the 2002-04 budget process.

The Board recognizes that efforts are already underway relative to the transfer of office buildings currently administered by the Cabinet for Families and Children to the Department for Facilities Management and urges that this process continue and that any additional funding needed by the Department in conjunction with this transfer be provided in the 2000-02 budget.

#### REPORT THE USE OF FACILITY-GENERATED REVENUES FOR CAPITAL NEEDS

The Board recommends that entities which have authority to use facility-generated and other revenues for managing and operating a facility and to create a reserve for repair, replacement, debt service and capital improvements be required to report annually to the Capital Planning Advisory Board on the amount of those revenues which are used to address capital needs, including deposits to the reserve for such purposes.

The Board particularly encourages these entities to establish such reserves, in order to reduce the demand for state funds to address capital renewal and replacement needs, and encourages those involved in the state budget process to take into account the availability of facility-generated funds when considering capital project requests for the facilities.

#### AGENCY REVIEW OF PROGRAMS AND RELATED FACILITIES NEEDS

The Board endorses the Cabinet for Health Services' planned review of agency programs and facilities, in conjunction with the Department for Facilities Management, and directs that the Cabinet provide periodic reports to the Board on the progress of this effort.

The Board also directs that other state agencies managing and operating facilities review their programmatic and service delivery needs and the relationship of facilities to those needs and report on the results of those reviews in accordance with a schedule to be established by the Board for 2000 and 2001. The Board further urges that, to the extent possible, agencies seek outside expertise in reviewing the condition and use of their existing facilities (e.g., from the state's Department for Facilities Management or elsewhere), and in evaluating the use of technology in the agency's programs and service delivery (e.g., from the Governor's Office for Technology).

#### CONSIDER TRANSFERRING SENIOR CITIZENS AND CHILD DAY CARE CENTERS FROM THE STATE

The Board recommends that the Governor and General Assembly give serious consideration and review to proposals by the Cabinet for Health Services (CHS) and the Cabinet for Families and Children (CFC) to transfer the senior citizens and child day care centers, constructed with funding from the Human Services Construction Pool, to the local entities operating those facilities.

#### Information Technology

##### REVISION OF INFORMATION TECHNOLOGY CAPITAL SYSTEM DEFINITION AND THRESHOLD

The Board recommends that the 2000 General Assembly amend KRS 45.750 to raise the threshold for a "system" to be considered a capital project from \$400,000 to \$1.0 million and to define "information technology system" to mean "any initial purchase or major upgrade of hardware, software, implementation and development services, or digital data products, or any combination of these items, as specified in an administrative regulation to be promulgated by the Governor's Office for Technology, for a specific business purpose," and;

The Board also recommends that the 2000 General Assembly amend KRS 7A.010 to include information technology (IT) systems, defined as “any initial purchase or major upgrade of hardware, software, implementation and development services, or digital data products, or any combination of these items, as specified in the administrative regulation promulgated pursuant to KRS 45.750,” and to establish a cost threshold of \$1.0 million for a system to be considered a capital project for capital planning purposes.

#### ESTABLISHMENT OF A FORUM FOR INFORMATION TECHNOLOGY IN THE GENERAL ASSEMBLY

The Board endorses the Chief Information Officer’s recommendation for the establishment of a forum for information technology in the General Assembly.

#### INFORMATION TECHNOLOGY FUNDING AND LIFE-CYCLE APPROACH

The Board believes that proactive and innovative funding approaches must be explored to support the ongoing support costs of major information technology projects, and so, as requested by the Office of the Chief Information Officer, endorses the use of public-private partnerships, user charges, transaction fees and other innovative options for funding.

#### Other

#### LONG-RANGE PLAN FOR HOUSING STATE AGENCIES IN FRANKFORT

The Board endorses the long-range plan for housing state agencies in Frankfort, as presented by the Department for Facilities Management in 1998, pursuant to KRS 42.027, and recommends that the Governor and the General Assembly provide funding in the 2000-02 and subsequent state budgets to finance the renovation and new construction projects called for in that plan.

#### LONG-RANGE PLAN FOR HOUSING STATE AGENCIES IN METROPOLITAN AREAS

The Board recommends that the Department for Facilities Management proceed with further development of its long-range plans for housing state agencies in the metropolitan areas (e.g., Louisville, Lexington, Northern Kentucky), focusing on recommendations which would place “priority on centralization of services and coordination of service delivery systems,” pursuant to the mandate of KRS 42.027.

The Board further recommends that the state implement any necessary legislative or policy changes which would permit agencies to consolidate multi-county operations into single locations, which would benefit the state economically and also meet the needs of the agencies’ constituents.

#### ALTERNATIVES FOR ADDRESSING THE NEED FOR ADDITIONAL STATE PRISON CONSTRUCTION

The Board recommends that the Executive, Legislative, and Judicial Branches continue to identify and utilize alternatives to incarceration and juvenile detention that are consistent with public safety, in order to reduce the need for the construction of additional prison and juvenile detention facilities; and

The Board further recommends that the three branches jointly undertake a study, including the use of outside consultants, to thoroughly examine reasons for the state’s actual and projected prison population increases and recommend ways to reduce the projected growth rate.

The Board notes that the state will need to fund approximately \$1.2 billion in prison construction by the year 2014, in order to accommodate a projected deficit of over 16,400 prison beds; the annual cost of operating those beds (based on FY 1998/99 figures) would be approximately \$254 million.

#### STATUTORY FUNDING OF THE BUDGET RESERVE TRUST FUND

The Board recommends that the Budget Reserve Trust Fund be funded in accordance with the provisions of KRS 48.705 and that the Governor and General Assembly not suspend these provisions in recommending and enacting future state budgets.

(The complete recommendations, accompanied by relevant background information for each, may be found in the "Policy Recommendations" section of this document.)

#### PROJECT RECOMMENDATIONS

In making its capital projects recommendations, ***the Board emphasizes that, as a planning body, its focus is on the priority and need to be addressed***, rather than the details of each project (e.g., cost, method of acquisition). In addition to the specific projects recommended, the Board recognizes that numerous other important and worthwhile projects have been proposed for the 2000-02 biennium.

As in its two previous statewide capital plans, the Board's recommendations address two categories of capital projects: those proposed to be financed from state funds and those proposed to be financed from other than state funds.

#### PROJECTS PROPOSED TO BE FINANCED FROM STATE FUNDS

Relative to funding in the 2000-02 capital budget, the Board recommends:

- That **maintenance of existing state facilities** be considered as the highest priority;
- That **various specific capital construction and information technology projects** be considered as the next highest priorities (after maintenance); and
- That **programs which provide assistance to non-state entities**, through grants or loans, also be recognized as high priorities.

The projects or programs contained in each category are as follow:

- Maintenance of existing state facilities
  - Agency Maintenance Pools
  - Emergency Repair, Maintenance and Replacement Fund
  - Capital Construction and Equipment Purchase Contingency Fund
  - Statewide Deferred Maintenance Pool
  - State-Owned Dam Repair
  - Capital Renewal and Replacement Pool (postsecondary education)
- Various specific capital construction and information technology projects  
(The following list is in alphabetical order; it does not reflect a prioritized ranking.)
  - Additional Funding for Authorized Court Projects (Judicial)
  - Biomedical Sciences Research Building (UK)
  - Construct New Power Plant, Western State Hospital (Health Services)
  - Court Facility Use Allowance Contingency Fund (Judicial)
  - DTV/SDTV/HDTV Broadcast Transmission (KET)
  - Early Childhood Development System (Health Services)
  - Hathaway Hall Renovation (KSU)
  - Infrastructure / Kentucky Virtual University/Library\*#
  - Juvenile Detention Facilities (Justice)\*
  - KY State Capitol – Historic Renovation, Design (Finance)

- Land Acquisition – Franklin County (Finance)
- Personnel Systems\*
- Radio Systems\*
- Research Building, Belknap Campus (UL)
- State Emergency Operations Center Expansion (Military Affairs)
- Two New Medium Security Prisons (Corrections)
- Transportation Building Parking Structure (Finance)
- Unified Criminal Justice Information System\*#
- Wastewater Line Extension (KY Horse Park)
- Water Piping System Replacement, Eastern State Hospital (Health Services)

\*These projects involve multiple items, usually in various agencies.

#These projects involve fund sources in addition to state funds.

- Programs which provide assistance to non-state entities
  - DLG Flood Control Matching Fund
  - KIA Fund A (Federally Assisted Wastewater Program)
  - KIA Fund E (Solid Waste Loan Program)
  - KIA Fund F (KIA Drinking Water Revolving Loan Fund Program)
  - School Facilities Construction Commission
  - Economic Development Bond Program

The Board also endorses the concept of an assistance program directed toward encouraging the regionalization of water and wastewater services.

#### PROJECTS PROPOSED TO BE FINANCED FROM OTHER THAN STATE FUNDS

The Board recommends that the 2000-02 budget authorize all projects proposed by state agencies and postsecondary education institutions to be financed 100% from Federal Funds, Restricted Funds, Other Funds, or Road Funds, with the following exceptions:

- Projects which will require the expenditure of significant additional state funds for their operation and maintenance,
- Projects which will commit the state to fund significant costs to complete the project after the available Federal Funds/Restricted Funds/Other Funds/Road Funds have been expended,
- Restricted Funds or Road Funds should not be authorized for projects to such an extent that agency programs or operations also funded by that source would be jeopardized,
- The top priority for the use of Restricted Funds of the postsecondary education institutions should be projects to address life/safety and deferred maintenance needs for which state funds are not provided, and
- A high priority for the use of Road Funds should be Transportation Cabinet projects to address life/safety and deferred maintenance needs.

The Board also recommends two specific projects to be financed from other than state funds:

- KY Information Highway Expansion Upgrade (Restricted Funds), and
- Transportation Cabinet Office Building (Reauthorization of Road Fund bonds).

(The complete recommendations and descriptions of the capital projects proposed to be financed from state funds may be found in the "Project Recommendations" section of this document.)